

SANTA BARBARA COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

Chapter 77, Statutes of 1978; Chapter 920,
Statutes of 1994; and Chapter 1032, Statutes of 2002

July 1, 2002, through June 30, 2005



JOHN CHIANG
California State Controller

September 2007



JOHN CHIANG
California State Controller

September 26, 2007

Honorable Joseph E. Holland
Clerk-Recorder-Assessor
Santa Barbara County
P.O. Box 159
Santa Barbara, CA 93102-0159

Dear Mr. Holland:

The State Controller's Office audited the costs claimed by Santa Barbara County for the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2002, through June 30, 2005.

The county claimed \$1,171,535 for the mandated program. Our audit disclosed that \$1,104,693 is allowable and \$66,842 is unallowable. The unallowable costs occurred primarily because the county claimed services and supplies costs that were not mandate-related. The State paid the county \$506,300. Allowable costs claimed exceed the amount paid by \$598,393.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L.Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk:vb

cc: Honorable Robert W. Geis
Auditor-Controller, Santa Barbara County
Rose Rodarte, Fiscal Manager
Office of the Clerk-Recorder-Assessor
Santa Barbara County
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Santa Barbara County for the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2002, through June 30, 2005. The last day of fieldwork was April 24, 2007.

The county claimed \$1,171,535 for the mandated program. Our audit disclosed that \$1,104,693 is allowable and \$66,842 is unallowable. The unallowable costs occurred primarily because the county claimed services and supplies costs that were not mandate-related. The State paid the county \$506,300. Allowable costs claimed exceed the amount paid by \$598,393.

Background

Election Code section 3003 (added by Chapter 77, Statutes of 1978, and amended by Chapter 920, Statutes of 1994) requires absentee ballots to be available to any registered voter without conditions. Prior law required that absentee ballots be provided only when the voter met one of the following conditions: illness; absence from precinct on election day; physical handicap; conflicting religious commitments; or residence more than ten miles from the polling place.

Election Code section 3024 (added by Chapter 1032, Statutes of 2002, effective September 28, 2002) prohibits local agencies from fully or partially prorating their costs to school districts. Therefore, the law excludes school districts, county boards of education, and community college districts from claiming costs under the mandated Absentee Ballots Program when they do not administer their own elections. However, school districts that administer their own elections are eligible claimants on or after September 28, 2002.

On June 17, 1981, the Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on August 12, 1982, and last amended them on February 27, 2003. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

**Objective,
Scope, and
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Absentee Ballots Program for the period of July 1, 2002, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Santa Barbara County claimed \$1,171,535 for costs of the Absentee Ballots Program. Our audit disclosed that \$1,104,693 is allowable and \$66,842 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$124,713 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$477,411 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$506,300. Our audit disclosed that \$502,569 is allowable. The State will offset \$3,731 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on June 29, 2007. Rose Rodarte, Fiscal Manager, responded on July 20, 2007, partially disagreeing with Finding 1 and agreeing with Finding 2. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Santa Barbara County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2002, through June 30, 2005

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 19,286	\$ 19,286	\$ —	
Services and supplies	171,646	119,500	(52,146)	Finding 1
Total direct costs	190,932	138,786	(52,146)	
Indirect costs	15,325	15,325	—	
Total direct and indirect costs	206,257	154,111	\$ (52,146)	
Number of absentee ballots cast	÷ 50,273	÷ 47,329	(2,944)	Finding 2
Cost per absentee ballot cast	\$4.10274	\$3.25616		
Number of reimbursable absentee ballots	× 44,982	× 42,038		
Total cost of reimbursable absentee ballots	\$ 184,551	\$ 136,882	\$ (47,669)	
Less offsetting revenues	(12,169)	(12,169)	—	
Total program costs	\$ 172,382	124,713	\$ (47,669)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 124,713		
<u>July 1, 2003, through June 30, 2004</u>				
Salaries and benefits	\$ 39,834	\$ 39,834	\$ —	
Services and supplies	391,271	374,059	(17,212)	Finding 1
Total direct costs	431,105	413,893	(17,212)	
Indirect costs	176,522	176,522	—	
Total direct and indirect costs	607,627	590,415	\$ (17,212)	
Number of absentee ballots cast	÷ 112,211	÷ 112,211	—	
Cost per absentee ballot cast	\$5.41504	\$5.26165		
Number of reimbursable absentee ballots	× 100,668	× 100,668		
Total cost of reimbursable absentee ballots	545,122	529,680	\$ (15,442)	
Less offsetting revenues	(52,269)	(52,269)	—	
Total program costs	\$ 492,853	477,411	\$ (15,442)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 477,411		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Salaries and benefits	\$ 52,236	\$ 52,236	\$ —	Finding 1
Services and supplies	203,579	199,405	(4,174)	
Total direct costs	255,815	251,641	(4,174)	
Indirect costs	347,181	347,181	—	
Total direct and indirect costs	602,996	598,822	<u>\$ (4,174)</u>	
Number of absentee ballots cast	÷ 73,543	÷ 73,543	—	
Cost per absentee ballot cast	\$8.19923	\$8.14247		
Number of reimbursable absentee ballots	× 65,788	× 65,788		
Total cost of reimbursable absentee ballots	539,408	535,677	\$ (3,731)	
Less offsetting revenues	(33,108)	(33,108)	—	
Total program costs	<u>\$ 506,300</u>	502,569	<u>\$ (3,731)</u>	
Less amount paid by the State		(506,300)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (3,731)</u>		
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Total cost of reimbursable absentee ballots	\$ 1,269,081	\$ 1,202,239	\$ (66,842)	
Less offsetting revenues	(97,546)	(97,546)	—	
Total program costs	<u>\$ 1,171,535</u>	1,104,693	<u>\$ (66,842)</u>	
Less amount paid by the State		(506,300)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 598,393</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated services and supplies costs

The county overstated services and supplies costs by \$73,532. The overstated costs occurred because the county claimed unallowable costs totaling \$75,775 and did not claim allowable costs totaling \$2,243.

The county claimed \$51,735 to print and mail permanent absentee voter outreach cards. These costs are not mandate-related under the Absentee Ballots or Permanent Absent Voters programs. The Absentee Ballots Program's parameters and guidelines specify that mandate-related costs are those increased costs required to make absentee ballots available to any registered voter. The Permanent Absent Voters Program's parameters and guidelines state that maintaining a permanent absentee file is reimbursable. It does not require the county to conduct permanent absentee voter outreach activities.

The county also claimed mail precinct ballot costs totaling \$24,040. The county claimed these costs for ballots that it issued in voting precincts where it did not establish an election day polling place. The mandated program does not require the county to issue mail precinct ballots. Therefore, these costs are not reimbursable under the mandated program.

Election Code section 3005 states:

Whenever, on the 88th day before the election, there are 250 or less persons registered to vote in any precinct, the elections official *may* furnish each voter with an absentee ballot along with a statement that there will be no polling place for the election. [Emphasis added.]

In addition, the county did not claim test deck costs totaling \$2,243. These test deck costs are associated with printing absentee ballots. As a result, these costs are mandate-related and allowable for reimbursement.

Recommendation

We recommend that the county claim only those costs that are related to the reimbursable activities defined by the parameters and guidelines.

County's Response

Audit finding 1 on page 6, reports that the County claimed \$51,735 for printing and mailing of permanent absentee voter outreach cards which are not mandate related under the Absentee Ballot program. The County contends this should not be a basis for unallowing the costs, given that the primary intent of mandate programs in the California Constitution is to reimburse counties for costs associated with new duties or increased service levels resulting from mandates.

The County further maintains that the costs in question were mandate related under the Permanent Absentee Voter Program and should therefore be allowed. Chapter 1422, Statutes of 1982, added Election Code section 1450 through 1456 (subsequently renumbered to EC 3200 through 3206 by chapter 19, Statutes of 1994) requiring counties to establish a permanent absentee voter program. The original legislation for this program required counties to establish and maintain

a list of permanent absent voters who provide evidence of a physical disability. This legislation was amended in 2001 to allow any voter to have permanent absentee voter status (not just those with a physical disability). As a result of the change in legislation, the county incurred a one-time expense for issuing a countywide mailing, informing voters of their new rights under this legislation. The County contends that had there been no change in legislation, this mailing would not have occurred. In the county's opinion, the mailing constituted an increased service level prompted by the change in legislation. In addition, this mailing also served the purpose of establishing the base of our permanent absentee voter file.

SCO's Comment

Our finding and recommendation are unchanged. The county agreed with the audit adjustments related to mail precinct ballots and unclaimed allowable test deck costs. Regarding permanent absentee voter outreach cards, our audit report notes that these costs are not mandate-related under either the Absentee Ballots Program or the Permanent Absent Voters Program.

The Permanent Absent Voters Program's parameters and guidelines, adopted March 27, 1990, do not identify permanent absentee voter outreach efforts as a reimbursable activity. Election Code sections 3200 through 3206, as amended by Chapter 922, Statutes of 2001, do not require the county to issue a countywide mailing to inform voters of their right to elect permanent absentee voter status. In addition, the CSM's statement of decision for the Permanent Absent Voters II mandated program (adopted July 28, 2006) does not recognize permanent absentee voter outreach mailings as a reimbursable activity.

The county states that "this mailing also served the purpose of establishing the base of our permanent absent voter file." The parameters and guidelines identify the activity "creating initial absentee file" as a one-time activity. Chapter 922, Statutes of 2001, did not require the county to establish a new permanent absentee voter file. Instead, the county may claim only those ongoing costs to maintain the existing permanent absentee voter file by adding new requests for permanent absentee voter status or deleting voters who do not vote.

**FINDING 2—
Overstated absentee
ballots cast**

The county reported total absentee ballots cast in FY 2002-03 that it did not support with source documentation. The county reported 50,273 absentee ballots cast; however, its records support only 47,329 absentee ballots cast. As a result, the county overstated absentee ballots cast by 2,944. Claimants use the number of total absentee ballots cast to compute the cost per absentee ballot and number of additional absentee ballot filings for mandated program reimbursement.

The parameters and guidelines, as amended February 27, 2003, state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

Recommendation

We recommend that the county accurately report absentee ballots cast to correctly compute mandated program reimbursable costs.

County's Response

The county agreed with the audit finding.

**Attachment—
County's Response to
Draft Audit Report**

JOSEPH E. HOLLAND
County Clerk, Recorder and Assessor
Registrar of Voters

JIM MCCLURE
Asst. County Clerk, Recorder and Assessor



105 E. Anapamu St. 2nd Floor
Santa Barbara, CA 93101

Mailing Address
PO Box 159
Santa Barbara, CA 93102-0159

COUNTY CLERK, RECORDER AND ASSESSOR

July 20, 2007

State Controllers' Office
Attn: Jim L. Spano, Chief, Mandated Cost Audits Bureau
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

The County of Santa Barbara reviewed your draft audit report on the audited costs claimed for the legislatively mandated **Absentee Ballot Program** for the period of July 1, 2002 through June 30, 2005. Audit finding 1 on page 6, reports that the County claimed \$51,735 for printing and mailing of permanent absentee voter outreach cards which are not mandate related under the Absentee Ballot program. The County contends this should not be a basis for unallowing the costs, given that the primary intent of mandate programs in the California Constitution is to reimburse counties for costs associated with new duties or increased service levels resulting from mandates. The fact that the costs were included in the wrong claim should be secondary to the SB90 program's primary intent and should therefore be allowed under the Absentee Ballot Program, or alternatively include in your audit findings for the Permanent Absentee Voter Program.

The County further maintains that the costs in question were mandate related under the Permanent Absentee Voter Program and should therefore be allowed. Chapter 1422, Statutes of 1982 added Election Code sections 1450 through 1456 (subsequently renumbered to EC 3200 through 3206 by chapter 19, Statutes of 1994) requiring counties to establish a permanent absentee voter program. The original legislation for this program required counties to establish and maintain a list of permanent absentee voters who provide evidence of a physical disability. This legislation was amended in 2001 to allow any voter to have permanent absentee voter status (not just those with a physical disability). As a result of the change in legislation, the county incurred a one-time expense for issuing a countywide mailing, informing voters of their new rights under this legislation. The County contends that had there been no change in legislation, this mailing would not have occurred. In the County's opinion, the mailing constituted an increased service level prompted by the change in legislation. In addition, this mailing also served the purpose of establishing the base of our permanent absentee voter file. The County requests that these costs be allowable under either program. The County further agrees with the remainder of your audit findings. Should you have any questions, please contact me at (805)568-2687.

Sincerely,


Rose Rodarte, Fiscal Manager

ASSESSOR: Santa Barbara (805) 568-2550, Fax (805) 568-3247, Santa Maria (805) 348-8310, Fax (805) 348-8324, Lompoc (805) 737-7899
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